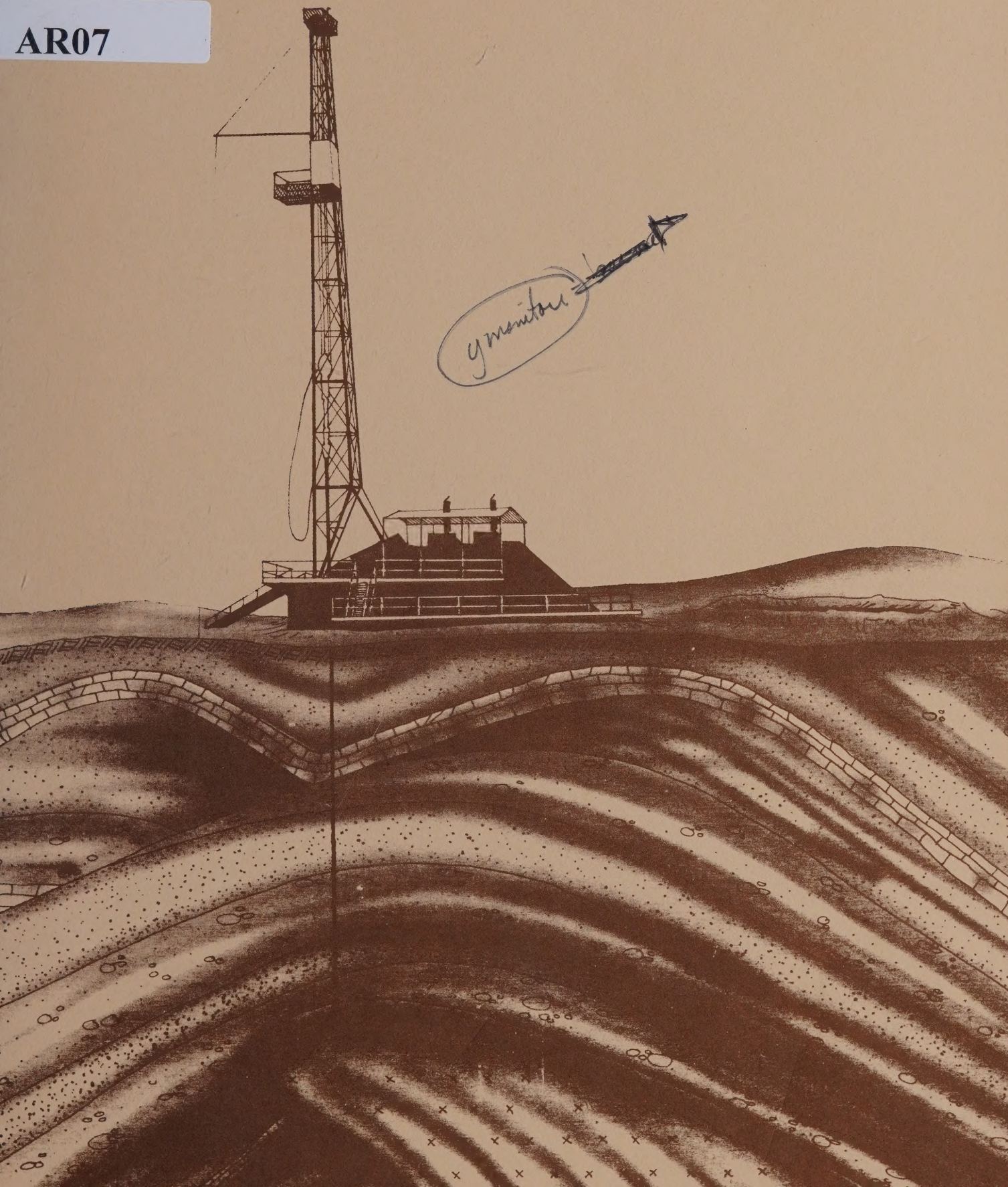




MANITOU-BARVUE MINES LIMITED

Annual Report 1979

AR07



Manitou-Barvue Mines Limited

Directors & Officers:

H.J. Mockler President & Director	Toronto, Ontario
S. Bartlett Vice President & Director	Toronto, Ontario
I.A. McEwan, Q.C. Secretary & Director	Toronto, Ontario
D.E. Presley Director	Toronto, Ontario
V.J. Cherry Director	Del Ray, Florida

Head Office:

Suite 2314
401 Bay Street
Toronto, Ontario
M5H 2Y4

Auditors:

Leebosh, April, Curtis & Arbess Montreal, Quebec

Bankers:

Bank of Nova Scotia Toronto, Ontario

Stock Exchange Listing:

Toronto Stock Exchange Toronto, Ontario

Ticker Symbol:

MBM

Registrar & Transfer Agent:

Guaranty Trust Company of Canada Toronto, Ontario

Annual

June 11 11.00 a.m.
Park Plaza Hotel
4 Avenue Rd.
Dominion Rm.

Manitou-Barvue Mines Limited

Directors' Report

To The Shareholders:

The 1979 fiscal year was a period of solid progress for the company. Our activities were highlighted by a number of important developments. Among some of the more significant of these were: (a) the lifting of the cease and desist order and the resumption of trading of the shares on the Toronto Stock Exchange; (b) the acquisition of an interest in two producing gas wells in Northern British Columbia; (c) the amalgamation of Quebec Manitou Mines Limited with Thermo-Solar Inc. to form Petro-Sun Inc.; and (d) a substantially increased activity in oil and gas exploration. The combination of these events has materially strengthened the Company and management believe we are in an excellent position to make even greater strides in the immediate future and in the years ahead.

Shareholders are generally aware of the problems which led to the imposition of the cease and desist trading order on the Company's shares by the Ontario Securities Commission and as such the history will not be recounted in this report. Suffice it to say that the situation was highly complex and required considerable effort on management's part to bring it to a successful resolution. As noted in last year's annual message, it is extremely doubtful that any portion of the investment made by the previous management in the United Republic of Cameroon will be recovered. While the operator is still conducting some exploration on the concession in which an overriding royalty is retained, it is understood that to date little success or encouragement has been encountered.

In order to preserve our capital and in an effort to obtain an immediate return on investment, the Company purchased a 1.9486% interest in two producing gas wells in the YoYo field of Northern British Columbia last year at a cost of about \$500,000. Of this amount, \$325,000 was provided by a Canadian Chartered Bank under a Section 82 loan agreement bearing interest at prime plus 1¼%. The original purchase price was predicated on being able to obtain an annual return of about 14.8%. We are pleased to be able to say that recent price increases for natural gas in B.C. have substantially improved this rate of return and even though interest rates have risen dramatically, the combination of higher production plus rising prices is still

enough to yield a positive cash flow. Over the next few years it is our belief that there will be further price increases which will continue to improve our return on the investment.

Possibly the most significant development of the past year was the decision to cause our 70% owned subsidiary, Quebec Manitou Mines Limited, to amalgamate with Thermo Solar Inc., a subsidiary of Magnetics International Inc. to form Petro-Sun Inc. The transaction required that Manitou-Barvue sell 1,200,000 shares of Quebec Manitou to Magnetics for \$300,000 and grant an option for two years on a further block of shares at varying prices. These shares were subsequently exchanged for shares of Petro-Sun on a one share for four share basis as part of the amalgamation. Consequently the number of shares of Petro-Sun now under option to Magnetics is 200,000 shares at \$1.20 and \$1.40 a share. Including other dispositions, this reduced our ownership in Quebec Manitou to about 900,000 shares. Petro-Sun Inc. was recently listed on the Toronto Stock Exchange and has a current market price of about \$4 a share. Thus our holdings in Petro-Sun have a market value of nearly \$1.0 million.

Petro-Sun is engaged in oil and gas exploration and the development, manufacture and marketing of solar heating equipment for home and industrial uses. While it is a relatively young company in the solar industry it is making substantial inroads in what could well be the most exciting energy development concept of this decade. Manitou-Barvue continues to have a close relationship with the company and we feel the association will have positive benefits to us in the future.

During the past year we greatly increased our oil and gas exploration activities by participating in the drilling of five wells and acquiring interests in several geologically promising petroleum leases. To date we hold varying interests in some 42,000 gross acres (2,092 net acres) of oil and gas leases and licenses in Canada and the United States. Of the five wells in which we participated, three were discoveries and two were dry holes. Since the year end, Manitou-Barvue has participated in two additional wells, both of which are deemed to be discoveries.

Manitou-Barvue Mines Limited

Greater elaboration will be made on our successful ventures below. Generally, however, we are pleased with the progress to date and believe that the present year will be even more rewarding.

Financial

Along with our increased levels of activity in petroleum exploration there has been a substantial improvement in the Company's financial picture during the past year. Of particular importance has been the increase in working capital and a decrease in operating expenses. Most noteworthy was the sharp drop in general and administrative expenses even though the company was more active during the year and added extra personnel. Also for the first time revenue was obtained from the sale of oil and gas. The loss for the year amounted to \$570,587 equivalent to \$0.15 a share and was primarily attributable to a further write down of the royalty rights held in petroleum concessions in the United Republic of Cameroon, West Africa. Inasmuch as this is now entirely written off no additional provisions will have to be made in the future.

During the current fiscal year management expects income from oil and gas will be up considerably as more and more of our reserves are brought on stream. Inasmuch as there will be fewer write-offs against old properties we anticipate to be in a net profit position for the first time in several years.

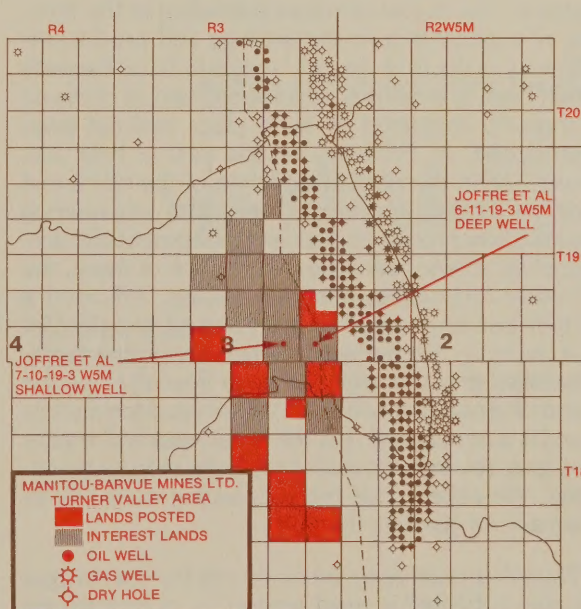
Petroleum Activities

During 1979 the North American petroleum industry experienced another year of hectic activity characterized by shortages, sharply rising prices and several major discoveries. Among the more important areas of interest were the Canadian East Coast, the Beaufort Sea, the Overthrust Belt in Wyoming and the Southern foothills of Alberta. All of these areas are extremely expensive in which to explore as well as being high risk propositions. For the most part Manitou-Barvue's approach to oil and gas exploration is to avoid high risk plays unless we can limit our financial exposure. Fortunately, through a series of transactions we were able to obtain a 2.25% carried interest in the Turner

Valley project which has the possibility of being one of the more exciting developments in the petroleum industry of the past several years.

Turner Valley

In 1978, Manitou-Barvue acquired a 10% working interest in six and a half sections of land (4,160 acres) located on the west side of the Turner Valley field. The prospect lands were assembled by Joffre Oils of Calgary as a result of detailed interpretation of the geological and seismic data on the area. Joffre's theory, while complex, essentially postulated that millions of years ago the prolific Turner Valley field had been split in two and the undiscovered half would be found at depth and to the west of the existing field. A consortium of companies was brought together and a well designed to test this concept was located at Lsd 6, Section 11, Township 1, Range 3, W5M. Total depth of the well was to be 15,600 feet and was estimated to cost about \$5.0 million. At this point Manitou's financial exposure was in the order of \$500,000 considerably more than the Company could afford to risk. As a consequence, the Company sold 3.0% of its 10% and recovered nearly all of its original investment.



Manitou-Barvue Mines Limited

Other members plus new participants of the Joffre consortium assumed the remaining 7.0% liability and left Manitou-Barvue with a 3.0% carried interest in two wells. A subsequent pooling arrangement with another oil company has reduced this percentage to 2.25% but has increased the land spread to 11.5 sections (7,360 acres).

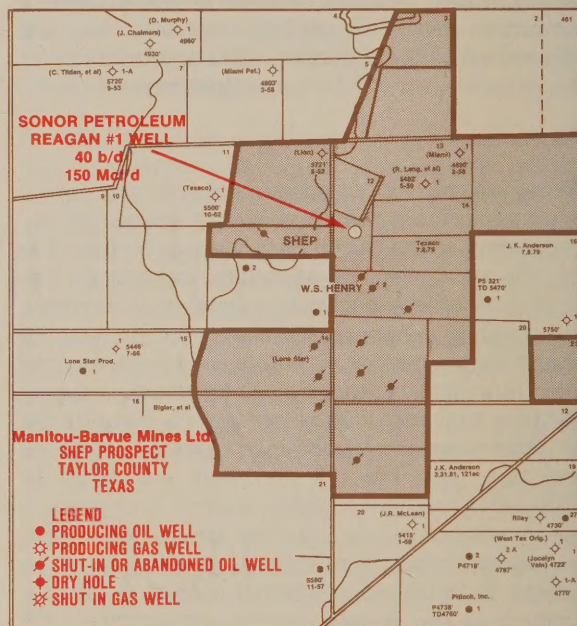
The deep well was stopped at 14,318 feet and on testing was found to have hydrocarbon potential in two zones. In addition a lower Devonian reef with apparent potential oil pay has not yet been adequately tested due to mechanical problems. A second, shallower well currently at a depth of 4,400 feet has been suspended pending a more complete evaluation of the first well. At a recent land sale the Joffre group submitted the winning bid on the posted lands shown on the accompanying map. This now increases the total land in the area to 19.5 sections equivalent to 12,480 acres. Further exploration and drilling is planned in the months ahead. We believe our participation in this venture could be of considerable importance to the future of the Company.

Taylor County, Texas

Towards the latter part of the year the Company acquired a 25% working interest (18.75% net revenue interest) in a 553 acre petroleum lease in Taylor County, Texas. The land covered most of a structure which has yielded over 670,000 barrels of oil in the late 1950's and early 1960's when it was shut-in due to low oil prices prevailing at the time. A re-examination of the geology and production history of the field strongly suggested that the wells had been prematurely abandoned and all of the oil originally estimated to be in place had not been produced. In February of this year a hole was spudded in the northern portion of the block and drilled to a depth of 5,731 feet. Our engineering evaluation proved correct as three potentially productive zones were intersected. One of these, the Caddo Limestone, after full testing, indicated a stabilized flow rate of 40 barrels of oil and 150 Mcf of gas a day. Production facilities were immediately installed and this well has been flowing since the end of April. A second well will be spudded shortly and it is anticipated that the initial lease will require at least seven more wells to fully develop its potential. We expect that the succeeding wells will be equally as good as the first.

The other main zone encountered, the Ellenburger Lime, exhibited a small amount of hydrocarbons

and then began to flow a large volume of water. On studying the situation it became apparent that this formation had been intersected below the water line and that there is a strong possibility that it will contain oil and gas further up the structure.



The second well should prove or disprove this hypothesis. For the time being it is recommended that we not test the third zone. In the last few weeks a further 696 acres offsetting the original lease to the north has been obtained under the same conditions that the first acreage was purchased. The additional lease appears to be as geologically prospective as the first block. The extra land along with the first lease provides sufficient room for about fifteen wells.

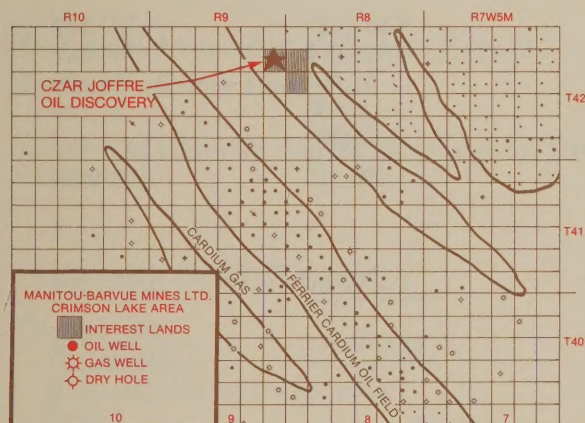
Our success in this venture is obviously important to the company as it generates immediate cash flow which will increase as the field is fully developed.

Crimson Lake

Manitou-Barvue acquired interests ranging between 1.25% and 2.5% in three sections of land (1,940 acres) in the Crimson Lake area of Alberta in July last year. The prospect lands lay immediately adjacent to the southwest of the prolific Willesden Green oil field which produces from the Cardium formation at depths of 6,000 feet. A well was spudded in September in Section 25, Township 42,

Manitou-Barvue Mines Limited

Range 9, W5M, with a planned depth of 10,000 feet which was the deepest penetration to date in the area. The operator planned to search for several possible hydrocarbon bearing zones in the area. The projected geology lying below the Cardium was found to be correct but unfortunately did not contain commercial quantities of oil or gas. Nevertheless the well was completed as a Cardium oil well and is expected to start generating revenues around mid year. It is also capable of producing natural gas but this will have to wait on pipeline connections which is not likely to occur until at least 1982. The land spread is sufficiently large to accomodate several more wells and the second hole will probably be started in June.



Other Oil and Gas Properties

In addition to the three properties described above, the Company holds varying interests in several other leases and licenses mainly in Alberta and British Columbia. Among our various prospects two of the more interesting are Loon Area North and Freeman Area, both in Alberta.

In Loon Area North, the Company holds a 3.3% interest in one section of land described as Section 29, Township 85, Range 9, W5M. The lease block lies at the northern edge of the Loon Lake oil field which has been in production for several years. The operator of this project, Joffre Oils, has recently completed a well on the section and the initial drill stem test yielded a strong flow of oil. Further comprehensive testing will have to be carried out before the productibility of the well can be determined. Equipment has been ordered to complete this phase of the work.

During the early part of last year, the Company acquired a 3.3% interest in two sections of land in the Freeman area of Alberta described as Sections 12 and 13, Township 66, Range 12, W5M. These parcels are located immediately north of the highly prolific Freeman oil field. It is hoped to spud a well in Section 12 before this year is out to test the theory that a downdip portion of a reef structure known to exist on the adjacent section will be found on our lands. Of the many prospects in which the company is involved, we rate Freeman very highly.

The past twelve months has witnessed some important changes in the affairs and activities of the Company. A previously dormant asset, namely our holdings in Quebec Manitou Mines, was converted into a situation with substantial market value. These holdings, which now have greater marketability can be liquidated to raise additional working capital should the need arise. Also of importance to the company was the successful acquisition of some production through purchase and exploration. These are now generating a cash flow that will provide a solid base for further growth in the years ahead. At the same time, the Company has been able to greatly increase its exposure to further discoveries by acquiring a varying interest in a large number of plays.

On balance, management is most confident that 1980 will see a further improvement in the affairs of the Company.

Submitted on behalf of the Board

H.J. Mockler,
President.

Toronto, Canada
April 26th, 1980

Balance Sheet

As at December 31, 1979

ASSETS	1979	1978
Current		
Cash and short-term deposits	\$ 501,628	\$ 118,637
Short-term deposits set aside for payment of interest in petroleum and natural gas properties (Note 4)	—	200,000
Marketable securities at cost (quoted market value — \$2,031,163; 1978 — \$1,078,872) (Note 2)	1,337,720	1,121,452
Accounts receivable	16,081	46,047
Receivable on sale of mining operation	51,044	414,830
Accrued interest receivable	18,683	21,249
Note receivable	45,000	—
	<u>1,970,156</u>	<u>1,922,215</u>
Investment in Inactive Subsidiary	1	1
Property and Equipment (Note 3)	<u>1,100,360</u>	<u>1,822,594</u>
	<u><u>\$3,070,517</u></u>	<u><u>\$3,744,810</u></u>

APPROVED ON BEHALF OF THE BOARD:

H.J. MOCKLER, DIRECTOR

S. BARTLETT, DIRECTOR

Mines Limited

the laws of Ontario

LIABILITIES

	1979	1978
Current		
Accounts payable and accrued liabilities	\$ 602,479	\$ 714,255
Due to associated companies	28,059	—
Payable on purchase of interest in petroleum and natural gas properties and rights (Note 4)	—	200,000
	<u>630,538</u>	<u>914,255</u>
Due to an Associated Company (Note 5)	<u>302,875</u>	<u>—</u>
Deferred Income Taxes	<u>—</u>	<u>26,300</u>
Interest of minority shareholders in subsidiary company	<u>—</u>	<u>414,709</u>

SHAREHOLDERS' EQUITY

Capital Stock

Authorized:

8,500,000 shares, no par value

Issued:

3,836,179 shares (1978 - 3,836,179)

Deficit

Deduct — subsidiary company's holding of
554,427 shares of the company at value
assigned thereto

\$3,369,940	\$3,369,940
<u>(1,232,836)</u>	<u>(622,249)</u>
2,137,104	2,707,691
—	318,145
<u>2,137,104</u>	<u>2,389,546</u>
<u>\$3,070,517</u>	<u>\$3,744,810</u>

Manitou-Barvue Mines Limited

Statement of Income

Year Ended December 31, 1979

Revenue	1979	1978
Oil and gas production	\$ 67,242	\$ —
Investment	127,345	205,966
Rental and miscellaneous	15,998	40,299
	<u>210,585</u>	<u>246,265</u>
Expenses		
General and administrative	178,241	357,565
Tax on capital	25,625	7,419
Oil and gas operations	5,484	—
Exploration expenditures written off	—	19,698
Interest on bank production loan	36,745	—
Interest	83,029	57,401
Depletion and depreciation	58,673	43,779
	<u>387,797</u>	<u>485,862</u>
	(177,212)	(239,597)
Interest of minority shareholders in subsidiary company's loss	—	11,064
Loss From Operations Before Extraordinary Items	<u>(177,212)</u>	<u>(228,533)</u>
Extraordinary Items		
Provision for loss on investment in exploration rights (Note 3)	(274,000)	(274,001)
Gain on sale of property held for resale	—	25,618
Loss on disposal of shares of subsidiary company (Note 6)	(38,222)	—
Write-down of mining properties and rights	(75,520)	—
Loss on wind up of foreign subsidiary	(5,633)	—
	<u>(393,375)</u>	<u>(248,383)</u>
Net Loss	<u><u>\$(570,587)</u></u>	<u><u>\$(476,916)</u></u>
Loss per Share		
Loss before extraordinary items	\$ 0.05	\$ 0.07
Extraordinary items	0.10	0.08
Net loss	<u><u>\$ 0.15</u></u>	<u><u>\$ 0.15</u></u>

Manitou-Barvue Mines Limited

Statement of Deficit

Year Ended December 31, 1979

Deficit — Beginning of Year	1979	1978
As previously reported	\$ 701,739	\$ 224,823
Adjustment of prior years' provision for mining taxes (Note 7)	39,490	39,490
As restated	662,249	185,333
Net loss	570,587	476,916
Deficit — End of Year	<u>\$1,232,836</u>	<u>\$ 662,249</u>

Manitou-Barvue Mines Limited

Statement of Changes in Financial Position Year Ended December 31, 1979

Source of Working Capital	1979	1978
Bank production loan — associated company	\$ 325,000	\$ —
Reduction of participation in limited partnership	214,000	—
Proceeds from disposal of investments	358,619	—
Proceeds from disposal of automobile	5,355	—
Reduction in non-current receivable on sale of mining assets	—	233,400
Proceeds from sale of property held for resale	—	93,267
Adjustment of prior years' provision for mining taxes	—	39,490
Reclassification of investment in subsidiary to marketable securities	630,924	—
	<u>1,533,898</u>	<u>366,157</u>
Use of Working Capital		
In operations	118,539	193,894
Acquisition of interests in petroleum and natural gas properties and rights	660,690	148,414
Additions to fixed assets	249	7,455
Expenditures on property held for resale	—	994
Acquisition of mining properties	—	2,500
Repayment of bank production loan — associated company	22,125	—
Advances to foreign subsidiary	7,619	—
Working capital of subsidiaries disposed of	393,018	—
	<u>1,202,240</u>	<u>353,257</u>
Increase in Working Capital	331,658	12,900
Working Capital — Beginning of Year	<u>1,007,960</u>	<u>995,060</u>
Working Capital — End of Year	<u><u>\$1,339,618</u></u>	<u><u>\$1,007,960</u></u>

Manitou-Barvue Mines Limited

Auditors' Report

To the Shareholders of
MANITOU-BARVUE MINES LIMITED

We have examined the balance sheet of MANITOU-BARVUE MINES LIMITED as at December 31, 1979 and the statements of income, deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Leebach, April, Curtis & Arbez

CHARTERED ACCOUNTANTS

Montreal, Quebec
March 14, 1980

Manitou-Barvue Mines Limited

Notes to the Financial Statements Year Ended December 31, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

- (i) As at December 31, 1978 the company held a 69% interest in Quebec Manitou Mines Limited and accordingly the accounts of Quebec Manitou were consolidated as at that date.

During June and July the company sold 40,500 shares of Quebec Manitou on the open market.

On August 14, the company sold 1,200,000 shares of Quebec Manitou to Thermo-Solar Inc. for a consideration of \$300,000.

As a result of the above transactions the company no longer held controlling interest in Quebec Manitou.

In conjunction with the sale of shares to Thermo-Solar, the company granted Magnetics International Ltd. (the then parent company of Thermo-Solar) an option to purchase 800,000 shares of Quebec Manitou at a price of 30¢ per share before July 31, 1980 and 35¢ per share before July 31, 1981. The sale of the 1,200,000 shares and the granting of the option to purchase 800,000 shares were all part of a prelude to a proposed amalgamation between Quebec Manitou and Thermo-Solar.

By Articles of Amalgamation dated October 2, 1979 under The Business Corporations Act (Ontario) a corporation under the name of Petro-Sun Inc. was formed. The amalgamation was based, in part, on an exchange ratio of one Petro-Sun share for every four shares of Quebec Manitou. Petro-Sun shares were listed on the Toronto Stock Exchange effective February 1, 1980.

- (ii) During December, the company's wholly-owned subsidiary, Cambro Petroleum & Minerals Limited, went into voluntary liquidation and all its assets, consisting of rights

and titles in certain royalty interests, were transferred to the company.

As a result of the transactions and events referred to in (i) and (ii) above, these financial statements include the accounts of the company alone.

The unconsolidated balance sheet of the company as at December 31, 1978 is summarized as follows:

Current assets	\$1,507,442
Current liabilities	931,990
Working capital	575,452
Other assets	2,237,283
Shareholders' equity	\$2,812,735

b) Property and Equipment

The petroleum and natural gas properties together with related equipment are carried at cost.

The company follows the full cost method of accounting for costs related to the exploration and development of petroleum and natural gas properties. Such costs are accumulated on an area of interest basis and are amortized on the unit of production method based on estimated recoverable oil and gas reserves in each area.

2. MARKETABLE SECURITIES

Included in marketable securities is an investment in Petro-Sun Inc. (into which Quebec Manitou Mines Limited was amalgamated) with a cost of \$630,924. The company was the parent company of Quebec Manitou until August 14, 1979 (see note 1 a) (i)).

Management does not contemplate holding these shares as a long-term investment, and accordingly this investment has been reclassified as a current asset. The market value of these securities as at December 31, 1979 was \$1,420,775.

Manitou-Barvue Mines Limited

3. PROPERTY AND EQUIPMENT

Oil and Gas

Interests in petroleum and natural gas properties and rights together with exploration, development and equipment thereon.

	1979	1978
Producing properties (Note 1b)	\$505,952	\$ —
Less — accumulated depletion	34,323	—
	<u>471,629</u>	<u>—</u>
Exploration properties		
Canada	294,246	148,414
United States	8,906	—
United Republic of Cameroon (See below)	—	274,000
	<u>303,152</u>	<u>422,414</u>
Participation in a limited partnership formed to carry out petroleum and natural gas exploration in Alberta and British Columbia (Note 4)	286,000	500,000
Total — Oil and Gas	<u>1,060,781</u>	<u>922,414</u>

Mining

Properties and rights	1	248,144
Equipment, at cost less accumulated depreciation of \$240,430 (1978 — \$216,361)	—	24,069
	<u>1</u>	<u>272,213</u>
Property held for resale, at cost	38,452	38,452
Other fixed assets, at cost less accumulated depreciation of \$655 (1978 — \$2,668)	1,126	7,674
Deferred exploration and development expenses	—	581,841
	<u>\$1,100,360</u>	<u>\$1,822,594</u>

It is the opinion of management that the royalty rights in the United Republic of Cameroon, transferred to the company on liquidation of Cambro Petroleum and Minerals Limited, are of no value and consequently the balance of the cost, which had been written down by 50% at December 31, 1978, has been written off at December 31, 1979.

Manitou-Barvue Mines Limited

4. PAYABLE ON PURCHASE OF INTEREST IN PETROLEUM AND NATURAL GAS PROPERTIES AND RIGHTS

Effective July 1, 1979 by agreement with the operators, Sabre Resources Ltd., the terms of the drilling fund in which the company holds a 5% interest were re-negotiated. While the company's participation in the fund is undiminished, no further capital contribution will be required of the partners and no properties will be acquired beyond those in the possession of the fund as of the date of amendment. The company's records have been revised accordingly.

	1979	1978
Interest in drilling fund (Note 3)	<u>\$286,000</u>	<u>\$500,000</u>
Payable on purchase of interest in oil and gas properties (extinguished by amendments to agreement)	<u>— \$</u>	<u>\$200,000</u>

5. DUE TO AN ASSOCIATED COMPANY

A bank production loan was obtained during the year by an associated company for the purpose of financing the acquisition of an interest in an oil and gas revenue producing property. The total cost of the property was \$1,011,904 of which \$650,000 was financed by the bank production loan. One half of this interest, having a cost of \$505,952 (note 3), was sold by the associated company to the company for \$180,952 cash and the assumption by the company of responsibility for one half of the bank production loan (\$325,000) which is payable by blended payments. In addition, the company is obligated to pay its proportionate share of all operating costs.

The bank production loan is evidenced by a demand promissory note issued by the associated company, bears interest at 1¼% above the bank's prime interest rate (December 31, 1979 — 16¼%) and is secured by the company's and the associated company's interest in and production proceeds from the oil and gas property.

Manitou-Barvue Mines Limited

The loan is repayable out of future production proceeds and, accordingly, is not expected to require the use of existing working capital; therefore, no portion of the loan has been reclassified to current liabilities. The estimated amount of bank loan blended repayments, including repayments due by the associated company, for the six years subsequent to December 31, 1979 are \$156,000 per year.

6. LOSS ON DISPOSAL OF SHARES OF SUBSIDIARY COMPANY

The loss on disposal of shares of the subsidiary company, Quebec Manitou Mines Limited, has been calculated based on the December 31, 1978 financial statements of the subsidiary. The results do not differ materially from those that would have been obtained had the loss to the date at which the company disposed of its control been utilized.

7. ADJUSTMENT OF PRIOR YEARS' PROVISION FOR MINING TAXES

A final assessment of mining taxes for the mining operation disposed of in August 1976 was received during the year. As a result of an over-provision applicable to the year 1976 the balance of deficit at December 31, 1977 previously reported as \$224,823 has been restated to show a retroactive credit of \$39,490 representing the amount by which mining taxes as at December 31, 1976 had been decreased.

8. RECOVERY OF COSTS

Recovery of the costs of interests in petroleum and natural gas properties and rights and mining properties and rights is dependent upon the development of reserves of sufficient economic value to enable profitable operations to be attained.

9. INCOME TAXES

At December 31, 1979 the company had substantial losses available for deduction from future taxable income.

10. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid to directors and senior officers amounted to \$40,176 (1978 - \$142,150).

11. MANAGEMENT AGREEMENT

The company entered into a management agreement, commencing March 1, 1979 with a company owned by the President and members of his family calling for a monthly payment of \$5,500. The agreement grants the manager the authority to hire and dismiss employees and to make the usual contracts necessary for carrying on the business of the company in the ordinary course. The manager shall supply at its own expense, office space, telephone facilities, accounting and secretarial facilities and services and shall assume and pay for all necessary travel and entertainment expenses. This agreement was cancelled October 31, 1979.

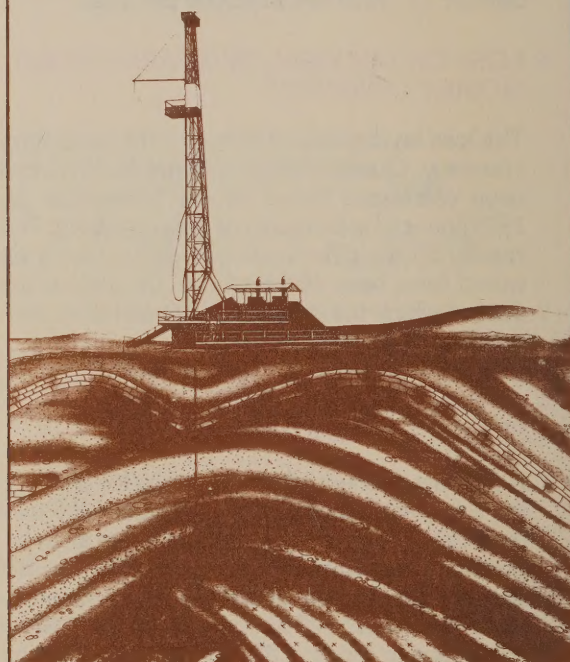
12. COMPARATIVE FIGURES

Certain prior year's figures have been reclassified to conform with the presentation adopted in the current year.



MANITOU-BARVUE MINES LIMITED

Annual Report 1979



Acknowledgment

The cover of this years Annual Report is a reproduction of a "meteograph" (an etching using black anodized aluminum) drawn by Mr. Ron Mitchell of Oklahoma City, Oklahoma. Mr. Mitchell is a well known artist specializing in this type of etching depicting various scenes associated with the oil industry. We are grateful for his permission to allow the Company to use this particular scene as we believe it catches the exploration excitement connected with the petroleum business.



MANITOU-BARVUE MINES LIMITED